

GRANT COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Grant County Should Comply With State Law And Local Policy Over Investments

On April 18, 1994, the Grant County Finance Committee adopted an investment policy which established guidelines for the county treasurer to use when investing funds for the county. In May 1994, the Grant County Treasurer established a county investment pool, through which the county treasurer invests moneys of Grant County and its junior taxing districts. The investment agreements with members of the pool state that the investments of the pool will be subject to the county's investment policy. On December 31, 1994, the investment pool was valued at \$59,142,048.

Our examination disclosed that the Grant County Treasurer has failed to conform to the requirements of the county's investment policy as follows:

- a. Section 3.0 requires that the funds be invested in accordance with the *Revised Code of Washington*, the *Budgeting, Accounting and Reporting System* (BARS) manual, the investment policy, and written administrative procedures. Section 6.0 of the policy limits the investments which are allowed to specific types of investments within state law. The following investments violate the county investment policy:
 - On May 9, 1994, the county treasurer purchased a \$1,000,000 bond from the World Bank which is not allowed under the policy. In addition, the county has no authority to invest in World Bank Securities under state law.
 - On March 28, 1994, the county treasurer purchased \$890,000 of Municipal bonds from outside of Washington State which are not allowed under the county's investment policy.
- b. Section 9.0 states that no more than 10 percent of the portfolio may be invested in obligations which are not backed by the full faith and credit of the US Government or which are not fully collateralized or insured. As of December 31, 1994, 67 percent of the portfolio consisted of investments which did not meet this criterion.
- c. Section 10.0 limits investments to securities maturing six years from date of purchase. On October 2, 1994, the county purchased a \$500,000 investment which matures October 2, 2001, which is seven years from date of purchase.

Additionally, Section 10.0 states:

... in order to preserve liquidity and to lesson market risk, no more than 50 percent of the portfolio may be invested beyond twelve months, and the weighted average maturity of all securities shall not be over one and a half years.

As of December 31, 1994, over 76 percent of the portfolio was invested beyond twelve months, and the weighted average maturity of all securities was 1.87 years.

- d. The policy requires in Section 14.0 that the county treasurer provide monthly and annual reports to the county finance committee and junior taxing district fund managers. Although the treasurer does provide a monthly report, the report does not include the following required components:

- (1) Market value of each investment.
- (2) The month's purchases, sales and maturities, and effect by investment category.
- (3) Percentage of the portfolio represented by each investment, investment category, and financial institution category.
- (4) The monthly earnings by item and changes in yields from the previous period.
- (5) Distribution of the portfolio by specific maturity categories.

The pool's value is reported at amortized cost plus accrued interest. Monthly disclosure of market value, as required by the policy, would inform the participants when the portfolio value is overstated. This information notifies the participants that losses could occur if early liquidation was necessary. As of December 31, 1994, the pool value exceeded market value by \$1,741,478 (3 percent).

In addition, the information that is provided is not always accurate. The county treasurer frequently lists the call date rather than the maturity date to reflect his estimate of the date a callable investment may be called by the issuer. In order to determine if the county was in compliance with its maturity policy, we reconstructed the investment portfolio to identify the maturity dates.

- e. The policy states in Section 5.0 that the county treasurer will establish written procedures for the operation of the investment program, consistent with this investment policy. Section 11.0 requires the county treasurer to establish a system of written internal controls designed to protect Grant County and its junior taxing district's cash and cash equivalent assets and requires the system to be reviewed annually by the State Auditor. No such written procedures have been established.

Section 16.0 required the policy to be reviewed annually by the county commissioners and reapproved within 60 days after the beginning of each fiscal year. There is no evidence this review occurred during 1995.

The requirements of the county's policy, as described above, are designed to achieve the county's objectives of safety (preservation of capital), liquidity (able to meet all operating requirements) and return (attain a market rate). The county treasurer's failure to comply with the county's policy increases the risk that these objectives will not be met.

We recommend the county treasurer:

- a. Invest only in securities allowed by state statute and the county investment

policy.

- b. Limit investments that are not backed by the full faith and credit of the U.S. Government or which are not fully collateralized or insured to 10 percent as required by the investment policy.
- c. Comply with maturity limits of the county investment policy.
- d. Accurately reflect the investment portfolio and provide all information required by the county investment policy in the reports to member governments.
- e. Establish and implement written procedures and internal control policies to protect the investments.

2. The Grant County Fair Should Improve Controls Over Cash Receipts

Our review of the fair's cash receipting and depositing procedures disclosed inadequate internal controls and noncompliance with statutory requirements as follows:

- a. The fair staff did not reconcile moneys received for concert, camping, and fair tickets to the tickets actually sold. This step is critical to assure that tickets and related revenues are not lost or stolen. We determined that ticket control sheets were not maintained accurately, and some tickets are missing and cannot be traced through the accounting system. Two of the ticket control sheets indicated that specific sequences were not received from the printer, but one of those ticket sequences was checked out to groups selling tickets.
- b. Our review of fair deposits revealed that cash received at the fair office is usually held for one or two weeks before being deposited. For example, during the 1994 Fair (the week of August 15-20), approximately \$196,000 was collected for gate and parking ticket sales, however, the moneys were not deposited at the county until August 26, 1994. We also noted that deposits are not always made intact as required, nor did receipts always equal the funds deposited at the bank.
- c. We observed that volunteer and exhibitor tickets are sold without requesting evidence that the purchaser was qualified to purchase these passes. Since these tickets are substantially cheaper, this could result in lost revenue to the fair.

RCW 43.09.200 states in part:

The (accounting) system shall exhibit true accounts and detailed statements of funds collected, received, and expended . . . and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours

Without accounting for all tickets, there is no assurance that all moneys collected during the fair were receipted and deposited with the county treasurer. The fair staff's failure to deposit moneys intact and in a timely manner increases the risk that errors or irregularities could occur and not be detected. Also, by failing to remit moneys to the county treasurer as collected, the county does not obtain maximum investment earnings on the money.

In order to obtain reasonable assurance that funds were accounted for, it was necessary to trace a substantial amount of revenue through the system to the county, which increased audit costs to the fair.

Both the State Auditor's Office and the county treasurer have consulted with the fair about improving its depositing frequency, and worked with the fair manager extensively on these issues in the last few years, but the fair board has not dedicated the necessary resources to adequately safeguard revenues.

We recommend that the Grant County Fair establish and maintain adequate internal

controls to determine revenues are accounted for and cash is safeguarded.

3. Grant County Should Comply With The Requirements Of Department Of Ecology

During our audit of Grant County, we noted that the county is not complying with the landfill requirements set forth in WAC 173-304 and 173-351. Grant County has failed to:

- a. Modify the closure and post-closure plans when changes in operations will affect the plans. In 1990, a study was completed which projected the landfill to close in the year 2014. The plan was based on an annual increase in usage of 2 percent. The January 1995 plan update suggests that the actual annual increase in usage since 1990 has been about 5 percent. The engineers predict that this increase may cause the landfill to close as early as 2007. At this time, the county feels they are on target with the projected volume of waste at the landfill despite the usage increase.
- b. Annually adjust the 1990 cost estimates for the effects of inflation. The county has not made any adjustments to the closure and post-closure contributions for inflation.
- c. Modify the plan to comply with WAC 173-351, effective October 1993. The WAC requires the post-closure period to be extended to 30 years and provides a required formula for determining the annual contribution to the financial assurance account. The county has based their post-closure contributions on a 20-year period and did not consider these costs when computing the financial assurance contribution for 1994.

WAC 173-304-467 (2) (b) states:

Each owner or operator shall prepare a new closure cost estimate in accordance with (a) and (c) of this subsection whenever:

- (i) Changes in operating plans or facility design affect the closure plan;
- (ii) There is a change in the expected year of closure that affects the closure plan

WAC 173-304-467 (2) (c) states:

Each owner or operator shall review the closure cost estimate annually thirty days prior to the anniversary date of the first closure cost estimate. The review will examine all factors, including inflation, involved in estimating the closure cost. Any cost changes must be factored into a revised closure cost estimate and submit the revised cost estimate to the jurisdictional health department for review and approval.

WAC 173-304-467 (4) and (5) provide the same guidance for the post-closure costs associated with the landfill.

WAC 173-351-500 (2) (a) increases the post-closure period to 30 years.

Noncompliance with the requirements of WAC 173-351 exposes Grant County to the risk that the correct amount of closure and post-closure funds are not being set aside each year.

We recommend:

- a. Grant County comply with WAC 173-304 including, updating the plan for changes in operations and revising the reserve contributions based on these changes and inflation.
- b. Grant County review the requirements of WAC 173-351 for items impacting the plan and fund the revisions as necessary.

4. Grant County Should Comply With Paths And Trails Reserve Fund Requirements

During our audit of Grant County, we noted that the Paths and Trails Reserve Fund is not being expended in a timely manner. Reserves of \$301,371 are being held in the fund, of which \$15,362 has been held for more than ten years.

RCW 47.30.50 states in part:

The amount expended by a city, town, or county (on trails for pedestrians, equestrians, or bicyclists) . . . shall never in any one fiscal year be less than one-half of one percent of the total amount of funds received from the motor vehicle fund . . . Provided further, that a city, town, or county in lieu of expending the funds each year may credit the funds to a financial reserve or special fund, to be held for not more than ten years.

We recommended last year that the county use the Paths and Trails reserve as intended by statute, to fund eligible paths and trails projects. The county has not used the Paths and Trails reserve for any projects in 1994, and no projects are planned for 1995. Noncompliance denies the public recreational trails and safe paths away from motor vehicle traffic.

We recommend Grant County comply with RCW 47.30.50 and fund eligible projects with the Paths and Trails reserve.